

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ISO-00 L-03 IO-13 NSC-05 AID-05
CIAE-00 COME-00 FRB-03 INR-10 NSAE-00 USIA-06
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FM AMEMBASSY KIGALI

TO SECSTATE WASHDC 5913

INFO AMEMBASSY ABIDJAN

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E.O. 11652: N/A

TAGS: AFDF, EFIN, EAID

SUBJECT: AFDF LOAN FOR RWANDA RAMBA-GASEKE TEA PROJECT

REF: (A) KIGALI 305, (B) STATE 65976

BEGIN UNCLASSIFIED

SUMMARY: WE HAVE OBTAINED INFO FROM FED TEA EXPERT RE
RAMBA-GASEKE PROJECT WHICH MAY HELP CLARIFY POINTS AT
ISSUE BEFORE AFDF BOARD. FED EXPERT ARGUES THAT COST
INCREASES ON SIMILAR PROJECTS DURING PAST FIVE YEARS IN
RWANDA COME CLOSER TO 25 PERCENT THAN RAMA-GASEKE'S
ESCALATION ESTIMATE OF 8 PERCENT. EXPERT ALSO BELIEVES
PROJECT IN EXCELLENT MANAGEMENT HANDS NOW. END SUMMARY.

1. IN HOPE OF HELPING CLARIFY ISSUES RAISED REGARDING
SUBJECT LOAN (REF B), AMBASSADOR SPOKE TO DEREK BROWN,
FED TEA CONSULTANT WHO ACTS AS ADVISOR TO TEA DIVISION,
RWANDAN OFFICE OF INDUSTRIAL CROPS (OCIR/T). BROWN IS
PROBABLY MOST KNOWLEDGEABLE PERSON IN RWANDA WITH REGARD
TO TEA INDUSTRY GENERALLY AND PARTICULAR PROJECTS UNDER
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WAY.

2. BROWN UNDERScored VIEWPOINT ALREADY STATED BY EMBASSY
(REF A), THAT RAMA-GASEKE IS A GOOD PROJECT AND ITS TEA
PROCESSING FACTORY ESSENTIAL TO PROJECT'S SUCCESS. HE
TOO NOTED THAT PLANTATION ALREADY IN PRODUCTION, WITH
TEA NOW BEING PROCESSED TO EXTENT POSSIBLE BY OVERLOADED

PFUNDA FACTORY. LARGE QUANTITIES OF TEA NOW BEING DUMPED, HOWEVER, DUE LACK OF SUFFICIENT PROCESSING CAPACITY. RAMA-GASEKE IS SUPPOSED TO PROVIDE THAT CAPACITY BY 1981.

3. BROWN WAS AWARE THAT LOWEST CONSTRUCTION BID HAD COME OUT WAY ABOVE ESTIMATES, BUT HE POINTED OUT THOSE ESTIMATES DONE SOME FIVE YEARS AGO USING PRICE ESCALATION ALLOWANCE (8 PERCENT) WHICH TURNED OUT TO BE FAR BELOW ACTUAL INFLATION RATE IN RWANDA'S CONSTRUCTION SECTOR, WHICH BROWN PLACES AT CLOSER TO 25 PERCENT ANNUALLY OVER SAME PERIOD. AS EXAMPLE, HE NOTED FED HAD FINANCED SIMILAR PLANT CONSTRUCTION (1000-1200 MT/DAY BLACK TEA). DURING 1973-75 AT COST OF ABOUT 155 MILLION RWANDAN FRANCS; KUWAIT, ALSO INVESTING IN RWANDAN TEA SECTOR, HAS JUST OBTAINED BIDS FOR NEARLY IDENTICAL PLANT WITH LOWEST OFFER COMING IN AT ABOUT 360 MILLION RWANDAN FRANCS, LIKE RAMBA-GASEKE MORE THAN DOUBLE 1973 PRICES. (WORTH NOTING THAT THESE RISING PRICES MOSTLY REFLECT INCREASED TRANSPORT COSTS GENERALLY PLAGUING RWANDA, 1000 MILES FROM PORT OF MOMBASA AND HANDICAPPED BY RESTRICTIONS, INTERRUPTIONS, AND FREQUENT CARGO LOSSES IN TRANSIT ACROSS UGANDA - SEE KIGALI 377.)

4. IN ADDITION, BROWN POINTED OUT, AFDF HAD CHOSEN TURN-KEY OPTION IN FINANCING RAMBA-GASEKE PROJECT, RATHER LIMITED OFFICIAL USE

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THAN SELF-SUPERVISED APPROACH, PRESUMABLY BECAUSE AFDF UNABLE MANAGE PROJECT ITSELF FROM LONG-RANGE. CURRENT FED-FINANCED FACTORY CONSTRUCTION FOR EQUIVALENT FACILITIES, DIRECTLY SUPERVISED RATHER THAN TURN-KEY, ARE RUNNING ABOUT 250 MILLION RWANDAN FRANCS, OR ALMOST ONE-THIRD LESS. HOWEVER, EXTRA COST PRESUMABLY GOES FOR SERVICES RENDERED.

5. STATE REFTEL NOT CLEAR REGARDING "WEAKNESS IN PROJECT ADMINISTRATION," BUT WE AND BROWN ASSUME THIS REFERS EITHER TO UNFORESEEN COST INFLATION (WHICH NOT CLEARLY THE FAULT OF PROJECT ADMINISTRATORS) OR EARLIER TROUBLES BETWEEN PROJECT MANAGER MARK ELIAS AND GOR AUTHORITIES. IF LATTER, THIS WEAKNESS NOW RESOLVED: ELIAS WAS FIRED OVER A YEAR AGO, IN AFTERMATH OF BITTER PERSONAL DISPUTE WITH OCIR/T DIRECTOR RIBANJE; HIS DEPUTY, BILL COOKSEY, AN ENGLISHMAN WITH VAST EXPERIENCE AND HIGH REPUTATION IN TEA INDUSTRY, TOOK OVER FROM HIM AND (IN BROWN'S PROFESSIONAL OPINION) HAS PROJECT RUNNING WELL INDEED, HAVING CAREFULLY PATCHED UP RELATIONS WITH OCIR.

6. BROWN POINTS OUT THAT ANOTHER FED CONSULTANT, MICHAEL

PILLING, WHO SPECIALIZES IN FACTORY CONSTRUCTION, IS BELIEVED JUST NOW TO BE VISITING IN ABIDJAN AND MIGHT BE AVAILABLE FOR CONTACT BY AFDF BOARD MEMBERS. BROWN SAYS PILLING IS FULLY KNOWLEDGEABLE REGARDING RAMBA-GASEKE STATUS. REGRET WE DO NOT KNOW IN WHICH HOTEL HE MIGHT BE LOCATED.

END UNCLASSIFIED BEGIN LOU.

7. COMMENT: BROWN ALSO TOLD AMBASSADOR THAT BID WHICH WON RAMA-GASEKE CONTRACT, THAT PRESENTED BY DUMON & VANDERVIN OF BELGIUM VIA AGENT MUNYANKINDI OF RWANDA (UN TOIT A TOI), WAS NOT RPT NOT LOWEST BID PRESENTED. UPON ADVICE OF A GERMAN CONSULTANT NAMED BAUMAN, GOR LIMITED OFFICIAL USE

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REJECTED BID OF APPROX 3.3 MILLION FVA FROM NAIROBI FIRM FAMENCO-RIDDLER, ALLEGEDLY DUE TO PERSONAL ENMITY BETWEEN BAUMAN AND RIDDLER. BROWN INDICATED HE HAD LOW REGARD FOR BAUMAN, WHO UNFORTUNATELY ENJOYS CONFIDENCE OF RWANDANS, AND THAT HE BELIEVED RIDDLER SHOULD HAVE BEEN AWARDED CONTRACT. WHETHER THIS HAS BEARING UPON "WEAKNESS IN PROJECT ADMINISTRATION," EMBASSY UNABLE TO ASSESS.

8. WORTH ADDING, PERHAPS, THAT BIDS OF APPROX 4.95 MILLION AND EVEN 8.25 MILLION FVA ALSO RECEIVED (AND REJECTED) ON RAMBA-GASEKE.
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